

Sanders-Grassley Audit the Pentagon Act

Bill Summary 2023

The Pentagon is the only federal department in America that hasn't been able to pass an independent audit—decades after Congress required it to do so. The *Audit the Pentagon Act* would require each Department of Defense (DOD) component to pass an independent audit in Fiscal Year 2024. Any DOD component that fails to do so would have one percent of its budget returned to the Treasury for deficit reduction.

The U.S. spends more on the military than the next ten countries combined. The recent debt ceiling deal concluded by President Biden and Speaker McCarthy increased military spending to \$886 billion for fiscal year 2024, an increase of nearly \$50 billion. DOD accounts for more than half of discretionary spending and about two-thirds of all federal contracting activity. DOD obligates more money every year than all civilian federal agencies combined – it should be held to the same level of accountability as the rest of the government.

Since the early 1990's, Federal law has required audits for all government agencies. Since 2013, all but DOD have been able to meet that requirement. Last year, the DOD failed its fifth audit and was unable to account for [over half of its assets](#), which are in excess of \$3.1 trillion, or roughly 78 percent of the entire federal government.

The need for this audit is clear. The Commission on Wartime Contracting in Iraq and Afghanistan concluded that \$31-60 billion had been lost to fraud and waste. Separately, the Special Inspector General for Afghanistan Reconstruction reported that the Pentagon could not account for \$45 billion in funding for reconstruction projects. A recent Ernst & Young audit of the Defense Logistics Agency found that it could not properly account for some \$800 million in construction projects. CBS News recently [reported](#) that defense contractors were routinely overcharging the Pentagon—and the American taxpayer—by nearly 40-50 percent, and sometimes as high as [4,451 percent](#).

And the Pentagon has not made sufficient progress or shown proper urgency to address these problems. In 2021, the Government Accountability Office (GAO) reported that the DOD had not implemented a comprehensive approach to combat department-wide fraud. Earlier this year, the GAO [reported](#) that DOD accounting systems cannot generate reliable and complete information and are unable to even capture and post transactions to the correct accounts, in violation of statutory requirements.

Finally, the audit process is beneficial for taxpayers. Each year, [auditors find billions of dollars](#) in the Pentagon's proverbial couch cushions; in fiscal year 2022, the Navy audit found \$4.4 billion in previously untracked inventory, while the Air Force identified \$5.2 billion worth of variances in its general ledger.

It is time to hold the Pentagon to the same level of accountability as the rest of the government. If Pentagon agencies can't pass a clean audit in a reasonable amount of time, they won't get all of their appropriations. This is the only way to ensure results and hold DOD accountable for decades of financial mismanagement.